

INFORMATION REPORT INFORMATION REPORT

CENTRAL INTELLIGENCE AGENCY

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Uebersicht for 18 and 22 February 1957,
containing a discussion of recent developments in the Sino-Soviet
bloc,

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22 February 1957

U e b e r s i c h t No 8/57**1. Soviet Union**

- a. Available reports shed some light on the background of the unexpected reshuffle of the Soviet Foreign Ministry. During the foreign-policy discussion at the Central Committee session on 13 and 14 February 1957, Molotov sharply attacked Shepilov and specifically criticized Shepilov's speech on 12 February which he termed "confused and partially even chaotic" and which he said was without a clear concept. Molotov's argument that foreign policy should be left to specialists rather than outsiders was adopted by the Soviet leadership and although Shepilov was not held responsible for the failure of the Soviet Middle-East policy his replacement seemed to be advisable, since his name had been connected with a number of recent Soviet actions in the Near and Middle East. The most decisive factor, however, to bring about his replacement was the fact that the Soviet leadership felt it appropriate to employ Shepilov in his special domain, that is ideological indoctrination, to overcome political difficulties in the country, particularly as persons of caliber are presently lacking in this field. Gromyko on the other hand seems to be most qualified to handle the Soviet-desired contacts with the Western World and, specifically, the disarmament talks. He has long been known as a hard-driving and clever negotiator. Patolichief who came from the party machinery was probably made First Deputy Minister in view of the fact that Gromyko was the only Foreign Minister without a high-level party office. There seems to be no shifting of power in the collective leadership, although Gromyko emerged from the school of Molotov.
- b. No basic changes of Soviet foreign policy which was outlined by Shepilov on 12 February are to be expected as may also be inferred from Khrushchev's statements on 18 February 1957. Shepilov used the principle of "peaceful coexistence" to attempt to break the political isolation of the Soviet Union and to recapture the temporarily lost initiative

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He also again demanded a "World Economy Conference" in an effort to overcome economic difficulties in the USSR and to interfere with the project for a "joint European market".

- c. The decision on improved economic planning which the Central Committee of the Communist Party of the Soviet Union made after its session on 13 February continued the course embarked upon by the plenary session in December 1956 which calls for the strongest possible centralization of planning and control, decentralized execution on medium and lower levels and improved regional coordination. Heavy industries will

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also continue to have priority.

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2. Satellites and Yugoslavia

- a. Available reports on Poland center on the Polish-Soviet agreement which was concluded in Moscow on 6 February and which supplements the cultural collaboration pact dated 30 June 1956. The Soviets give this agreement special political importance. During the talks, the Soviet delegation let it be known that a Soviet-Polish trade treaty could only be concluded after the conclusion of the cultural pact which provides for joint assignments to Polish and Soviet universities in order to secure the influence of the Soviet Academy of Sciences and prevent Polish institutions from going their own way. The pact makes it also possible for Soviet literary, arts, and theater and film institutions to establish representations in Poland. Since this stipulation favors the Soviets while the right given to Polish institutions in the USSR is practically almost meaningless, it is to be expected that the Polish intelligentsia will fight this Soviet attempt of a cultural penetration. A delegation of the Polish Academy of Science already contacted Prime Minister Cyrankiewics on this cultural agreement and was promised that the freedom of science would be preserved.

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- b. The Warsaw Pact was not yet enlarged as had been envisaged in the Moscow final communique on the Czech-Soviet talks. Czech Defense Minister Lomsky, according to one report, stated at a National Front meeting that the subject was still under deliberation.
- c. The Stalinist wing of the Communist Party of Bulgaria was strengthened further when Stalinist Chervenkov, who had been removed as Prime Minister because of Tito but had continued as Deputy Prime Minister, was also made Minister for Public Instruction and Culture during the recent

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cabinet reshuffle and also was able to bring some of his followers into leading positions. He was also elected President of the just reactivated Patriotic Front which as a result of the incorporation of non-Communists evidently is to serve to screen the Communist Party from popular distrust which resulted from large economic difficulties and wide-spread unemployment.

- d. Available reports indicate that the removal from office of Soviet Foreign Minister Shepilov was not regretted in Yugoslavia, since he lost all his previous sympathies. Belgrade politicians believe that he was a complete washout and, remembering unfulfilled hopes Belgrade had entertained in connection with an "active policy of coexistence", blame him for not having been able to keep, not to mention improve, the Soviet position in Egypt. They also accuse him for his last speech before the Supreme Soviet in which he made ideological questions the subject of a speech on foreign policy.

3. Soviet 'one of Germany

- a. Numerous reports stressed the basic importance of the 30th Plenary Session of the Central Committee. A directive issued to the press said that Ulbricht's speech would have to be made the basis of all political comments during the following period, that Ulbricht's return to a hard course was necessary

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High-placed functionaries consider Dahlen's, Jendretzky's and Abusch's cooption to the Central Committee the most important event of the 30th Plenary Session of the Central Committee. They expressed belief that in cooperation with intellectuals close to Abusch and Harich, the Dahlen group wanted to shelve Ulbricht at the Central Committee Plenary Session which had been planned for early November 1956 and to precipitate a development like that in Poland. They said that Ulbricht was only saved by the events in Hungary, since all oppositional forces except Harich became aware that this course would result in the complete destruction of the GDR and the SED. They stated that Ulbricht had planned to arrest the entire opposition in connection with the arrest of Harich but met with interference by the Kremlin which for the first time stepped in again and demanded another solution for the problem of Dahlen. They concluded that Dahlen who still was a bitter enemy of Ulbricht although he victoriously returned to the SED Central Committee was forced to recognize Ulbricht's position and had now to partake of the responsibility. Thus it was possible to restore the solidarity of the party and to make it possible for the Central Committee to continue a straight course without any interference.

- b. The further development in Poland is watched with concern by the SED which, however, is unable to give a definite assessment of the situation.

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the Central Committee was completely left in the dark, although the development in Poland would decide the question as to whether the GDR would remain in existence or would some day be swallowed up by the West. Another report stated that Ulbricht tried to get into contact with Gomulka and added that this was of vital importance because the intransigent attitude of the Poles concerning the question of hard-coal deliveries and transit traffic between East Germany and the Soviet Union adversely affected the East German economy. Gomulka, according to the report, refused, however, to enter into direct talks with Ulbricht.

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- c. In connection with details on the discontinued trade talks with Yugoslavia, it was reported that, on 5 February, Rau told the SED Politburo that the negotiations proceeded favorably and that an agreement would be signed on 6 February, when Ulbricht unexpectedly severely attacked Rau and stated that Rau had concentrated only on the economic problems and completely neglected the political aspects. Overriding objections by Rau that Yugoslavia was not prepared to do he insisted that the agreement be concluded by the two governments. A corresponding resolution was adopted by the Politburo against Rau, Stoph and Oelsner and resulted in the break-off of the talks. The question as to whether Ulbricht made this move at his own initiative or following Soviet orders cannot be yet answered. It became clear, however, that he wanted to score a success after years of stagnation in the question of the recognition of the GDR. It is to be expected that the activities in this field will also be intensified within the framework of the international organization after the Soviet Zone Foreign Ministry issued orders to this effect.

4. Red China

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- b. Available reports stated that Moscow and Peking want to continue their joint policies toward Asia without, however, defining special spheres of interest. The Soviets supports Chou's systematic efforts for an early Second Bandung Conference. The Soviet Committee for the Solidarity of the Countries of Asia as well as Peking recently started an intensive propaganda campaign inside and outside the Soviet Union

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- c. Available reports indicated that Chou En Lai also discussed military subjects during his visit to Moscow. It was agreed that the Soviet Union establish a number of rocket-launching sites in the Red Chinese Province of Fukien. The Soviet Union also promised aid for the further improvement of the Red Chinese fleet of airfields in that area with a capacity of 2,000 modern aircraft. In this connection, it is interesting to note that comments by Peking on the Seventh Anniversary of the Soviet-Red Chinese Alliance Treaty which were carried by Red Chinese and Soviet newspapers placed unusual emphasis on the strategic importance of this alliance for the two partners.

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February 1957

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U e b e r s i c h t N o 7 / 57**I. Political****1. Soviet Union**

a. The long-expected political "relief offensive" which the Soviets started is a consequence of the international situation of the USSR. Reports received over a period of time indicated that the Soviet leadership is faced with growing difficulties in the Eastern Bloc and the Soviet Union. These difficulties include the opposition in the young intelligentsia, the dissatisfaction of the mostly young virgin-land settlers, the increasing ideological apathy of the broad masses of the population, the symptoms of a combat morale which is not completely intact in all units of the Soviet Army, the latent unrest among the non-Slavic peoples of the USSR and a growing desire by the entire Soviet population for improved living standards. In an effort to overcome these difficulties, the Soviet leaders now point out the danger of capitalist encirclement policies (as, for example, Pervukhin did in his speech before the Supreme Soviet) and at the same time try to produce visible political results in order to gain popular support. Moscow also wants to break the political isolation which resulted from the events in Hungary [redacted]

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[redacted] and to prevent a possible employment of [redacted] bases for nuclear and inter-continental missile employment. This was also shown by the speech Foreign Minister Shepilov made on 12 February before the Supreme Soviet [redacted]

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b. According to available reports, the Soviet drive serves the following purposes:

(1) The talks and the resumption of "peaceful coexistence policies" which, according to statements made by Mikoyan [redacted] and according to recent statements by Shepilov which the Soviets wish to make are designed to make up for the moral losses suffered during the Hungarian crisis.

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(2) [redacted]

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(3) Bulganin's letter to the Federal Chancellor which was published on 11 February 1957 also comes under the category of Soviet harassing and relief attacks, since it shows that, in contrast to its previous tactics [redacted]

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The Soviets who are actually strongly interested in deliveries of machinery promise concessions in the question of repatriation in return as they had done in 1955. Their allegations on the question of Germany contain no clues for intended concessions and show that the present situation remains the basis for their relations with the Federal Republic.

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- b. The Supreme Soviet meeting decided to decentralize the Soviet Administration of Justice and reorganize legislative functions, a measure which at first sight may appear to be without political meaning but is closely connected with this Soviet nationality policy, since it is to give added weight to the position of the Union Republics in the eyes of the national minorities living in these republics. Latent unrest in the Caucasus and particularly in Georgia, but also in Central Asia and the Baltic countries made it necessary for the Soviets to take countermeasures or at least palliative measures. They are particularly worried by the national opposition and the dissatisfaction of the non-Russian intelligentsia which is largely without adequate professional possibilities and threatens to become a constant factor of unrest, and apply the Leninist principle of "nationalism in form and Socialism in reality" to save appearance. For the same reason they also established what is called "autonomist districts" for the three Caucasian tribes and the Calmucks which had been displaced during and after World War II.
- c. Available reports indicated that the preparations for the establishment of a Cominform substitute organization are gradually shaping up, since, in accordance with the Communist Party of the Soviet Union, the Communist Party of Czechoslovakia established a special liaison section in Prague which is to set up a net of close relations with western and eastern Communist parties and, as a first step, is to establish a multi-language

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ideological periodical campaigning against "Nationalism and Reformism". The World Peace Council which had been expelled from Vienna will also soon become effective again in Prague.

2. Satellites and Yugoslavia

- a. Poland's relations with the USSR, according to available reports, were recently highlighted by obstructions in connection with repatriation, since Polish embassy personnel in Moscow were not permitted to travel to areas in which Poles were detained in camps, and Soviet commandants of such camps in many instances failed to inform the Poles about repatriations which also threatens to collapse after the repatriees had to defray the rather high travelling expenses. If Gomulka were unable to solve this question of repatriation, resistance may again come up in Poland and result in anti-Soviet demonstrations.
- b. Available reports on Hungary indicated that after he was unable to persuade non-Communist to join his cabinet, Kadar became increasingly more dependent on old-time Stalinists who are responsible for the severe measures taken against the so-called renegades from the Communist camp and the intelligentsia. The workers slowly give up their passive resistance against the regime because of growing police terror and possible mass lay-offs resulting from lack of raw materials and reduced investments.
- c. Available reports on the parliamentary elections in Rumania indicated that the government was able to some extent favorably to impress the population by promises of increased living standards which, however, in view of the economic situation of the country are difficult to keep and by immediate increases of low wages and the exemption of numerous agricultural products from delivery quotas. The regime also secured popular support by returning to 22,000 ethnic Germans property which had been confiscated by the state in 1946 to 1948 and giving financial compensations to persons who were victims of the minority policies of that period. The minorities will be represented at the new National Assembly by 67 Germans and Hungarian delegates or about double the number of the previous National Assembly representatives. Prime Minister Stoica and Gheorghiu Dej, The First Secretary of the Rumanian Communist Party, made no attacks upon the policy of Yugoslavia in their election speeches and thus followed the line of the Rumanian leadership and press which decided not to join the Eastern Bloc in its criticism of the current Yugoslav policy.
- d. [REDACTED]
- e. After an internal discussion on the ideological exchanges with other Communist parties, the Plenary Session of the Central Committee of the Communist Party of Yugoslavia decided to postpone the planned Party Congress to the fall of 1957 and to set up a 17-member commission including Tito, Kardelj, Baracic and Salaj to work out an up-to-date party program and revise the party statute. No decision was made on the extent of the modifications to be made. The program is planned, however, to stand its own ideological discussions with the Soviet Union.

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3. Soviet Zone of Germany

- a. Available reports indicated that the Soviet Zone regime continued to press for its diplomatic recognition by neutral countries. Following up the unsuccessful attempt of persuading Yugoslavia to recognize the GDR by the conclusion of a trade agreement, Foreign Minister Bolz, in a speech he made at a conference of the Soviet Zone mission chiefs, in late January 1957, said that it was of primary importance to strengthen the international position of the GDR and that it was necessary to obtain the diplomatic recognition by the Bandung States. He demanded that neutral countries which did not yet recognize the GDR be told that the GDR came into being in the same manner as the Federal Republic, i. e. by receiving sovereign rights from an occupation power. He added that the sovereignty pact dated 20 September 1955 was again confirmed by the joint declaration of the Soviet Union and the GDR dated 7 January 1957.
- b. The Soviet Zone Embassy in Moscow received order from Pankow not to give any attention to letters from Germans in the Karaganda area who had been sentenced by Soviet courts in the Soviet Zone of Germany in the post-war era and had been deported to the USSR and are now asking the embassy for representation and intervention.
- c. Available political reports concentrate on youth and educational questions. A government representative who demanded that all personal ties with students at Polish universities be severed and announced that SED controls had been tightened to prevent unsocialist influence by periodicals, newspapers, etc. from Poland and that Polish workers and students' delegations would not get entrance visas aroused the indignation of students of Humboldt University in Berlin.

A district party congress discussed the following subjects in preparation of party elections:

- (1) Interrelations among comrades.
- (2) SED efforts toward non-partisan persons and other population groups.
- (3) Shortcomings and deficiencies in low-level organizations.
- (4) Increased vigilance against subversion.

The First Secretary, in this conjunction, stated that the next weeks and months would become extremely difficult, since the enemy launched a series of ideological actions and capitalizes on the view that "Marxism and Leninism became completely unattractive".

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The tendencies which Pervukhin indicated in his speech on Soviet economic policies may be summarized as follows:

- a. The previous course of industrial production will be continued, with heavy and armament industries having priority over the production of consumer goods.
- b. The rates of industrial growth laid down in the plan will drastically be reduced by one-third of its previous percentage.
- c. Excessive plans and out-of-the-way projects will be cancelled to bring about a concentration which allows a more effective industrial expansion.
- d. Special efforts will be made to make available for the Soviet and Satellite industries adequate supplies of raw materials which are one of the most decisive factors for a rapid, uniform increase of industrial growth and which are presently unsatisfactory.

2. These tendencies are accounted for by the following Soviet and non-Soviet facts:

- a. The hasty industrialization which overburdened the European Satellite countries and resulted in an economic collapse in Hungary and in Poland, in enormous difficulties in the Soviet Zone of Germany and in an extreme strain on Rumania and Bulgaria, makes it necessary for the Soviet Union to make concessions to these countries regarding the extent and the prices of imports and exports, and the speed of industrialization and living standards which are presently under pre-war level. The Soviet Union consequently cannot drain as much from these countries as previously and rather has to give aid, which is possible only at the expense of Soviet living standards.
- b. Even if it is assumed that the rates of industrial growth published in statistics of Eastern Bloc Countries were so excessive in some years that

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they were actually only half what had been indicated, they had, however, been higher than those of most of the Western industrial countries. A decline of these rates was to be expected as industrialization was progressing in the Eastern Bloc. The appointment of Pervukhin resulted in a more realistic assessment of possible developments. The fact that the revision of the plan targets was made immediately upon the first year of the current Five-Year-Plan must be considered an especially determined action.

- c. As they prepared their sixth Five-Year-Plan the leaders of the Soviet economy had probably underestimated the demand of labor and means for the development of new industries in underdeveloped areas which also have adverse climatic conditions.
 - d. Considerable set-backs were also suffered as a result of insufficient coordination of plans by the individual agencies, particularly in Siberia, and it was not possible to establish industrial areas to the extent scheduled and at the rate planned.
 - e. It will probably be possible to make the scant raw material supplies more adequate during the subsequent period, particularly since the rates of industrial growth were also reduced in the Satellites.
3. The following conclusions can be drawn from the new situation:
- a. It will take the European Satellites one or two years to overcome the difficulties which result during the period of adjustment to the reduced volume of production. This process will be quickest in Czechoslovakia, less quick in the agrarian Satellites and the Soviet Zone of Germany, and probably slowest in Poland and Hungary. The adjustment will result in lesser difficulties in the USSR, but will be completed there only after a prolonged period of time. In view of the demands of the population, it must also be doubted whether or not it will be possible to continue the reduction of rates of industrial growth in light industries, which have an insignificant capacity anyway. The efforts by the Eastern Bloc countries for East-West trade will increase rather than decrease in order to
 - (1) speed up the reequipping of their mining and industrial installations with machinery and equipment;
 - (2) satisfy the most urgent needs in the way of consumer goods in the Satellite countries;
 - (3) supply agriculture with fertilizers and all sorts of implements.

The Soviet efforts for a conclusion of a trade treaty or trade agreement with the Federal Republic which would considerably enlarge the present volume of the exchange of goods and shift it from the private to the government level, as well as Polish and Hungarian negotiations with the West on the purchase of goods on credit basis must be viewed against this perspective.

- b. If the Western World were able to secure its economic expansion and stability and if the Eastern Bloc could not in some years upgrade again the rates, the revision of the plan targets of the Eastern Bloc in the long view means that the ultimate goal which had constantly emphasized since 1931 and which demanded that the Eastern Bloc economy "catch up with, and even pass the most progressive capitalist countries" will again be postponed considerably.

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III. Military

Soviet Zone of Germany

In December 1956, the Soviet Union handed over to the NVA/See two escort destroyers of newest design (although with strongly reduced radar equipment), thus making available for the first time really combat-efficient modern war vessels. This measure which comes as a surprise in view of the recent events in Poland and Hungary was probably to demonstrate special trust the Soviet Union is placing in the Soviet Zone regime.

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